CORRECTED FISCAL MEMORANDUM
SB 2 – HB 1033

May 25, 2007

SUMMARY OF AMENDMENT (006625): Authorizes the legislative body of local governments to "freeze" property tax liability for individuals 65 years of age or older who own the property as their primary residence and have an annual income of equal to or less than the median household income for individuals 65 to 74 years old within the county in which the impacted property is located. The Comptroller would be authorized to promulgate rules and regulations pertaining to certain aspects of the program and would be required to determine taxpayer eligibility if requested by local governments. Local governments making such a request would be required to reimburse the Comptroller for the actual costs of making eligibility determinations.

FISCAL IMPACT OF ORIGINAL BILL:

Increase Local Govt. Expenditures –
Exceeds $100,000/One-Time/Permissive
Exceeds $1,000,000/Recurring/Permissive

Decrease Local Govt. Revenues – Exceeds $1,000,000/Permissive

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On April 23, 2007, we issued a fiscal memorandum on this amendment indicating a *recurring increase in state expenditures exceeding $200,000 and a one-time increase in state expenditures of $280,000, a recurring, permissive increase in local government expenditures exceeding $500,000 and a $380,000 one-time, permissive increase in local government expenditures, and a recurring, permissive decrease in local government revenues exceeding $1,000,000.* This impact failed to reflect the revenue to the state due to reimbursement by local governments of actual expenditures by the Comptroller of the Treasury on the program, the corrected fiscal impact of the bill is as follows:

(Corrected)
Increase State Expenditures – Exceeds $200,000/Recurring
$280,000/One-Time

Increase State Revenues – Exceeds $200,000/Recurring
$280,000/One-Time

Increase Local Govt. Expenditures –
Exceeds $500,000/Recurring/Permissive
Exceeds $380,000/One-Time/Permissive

Decrease Local Govt. Revenues –
Exceeds $1,000,000/Permissive

Assumptions applied to amendment:

- The Office of the Comptroller will be required to provide verification of taxpayer eligibility for several counties.
- An increase in recurring state expenditures for four new positions at a total cost of $180,000.
- A recurring increase in state expenditures for postage, supplies and other administrative expenses related to the promulgation of rules pertaining to the program and providing taxpayer eligibility verification. Such increase is estimated to exceed $20,000.
- A recurring increase in state revenues exceeding $200,000 due to reimbursement by local governments of recurring Comptroller expenditures.
- A one-time increase in state expenditures of $280,000. Costs to make the required programming changes are estimated to be $250,000. Expenditures for computers and other supplies related to the four new positions required by the Comptroller are estimated to be $30,000.
- A one-time increase in state revenues of $280,000 due to reimbursement by local governments of one-time Comptroller expenditures.
- The provisions of the bill require local governments to reimburse the Comptroller for actual expenses related to expenditures for the program. Therefore, there will be a recurring increase in local government expenditures exceeding $500,000. An amount of $200,000 of such cost is attributable to reimbursement of Comptroller expenditures. The remaining $300,000 in recurring increase to local governments is attributable to those local governments that choose to provide taxpayer eligibility on their own or require additional expenditures to manage the program.
- Local governments will experience a one-time increase in expenditures estimated to exceed $380,000. An amount of $280,000 of such cost is attributable to reimbursement of Comptroller expenditures. The remaining $100,000 in one-time expenditures is attributable to computer hardware and software and programming changes that will be required for local governments to enact the tax "freeze".
- The language of the bill is not clear as to whether or not a "tax freeze" would apply to 2006 taxes or 2007 taxes if a local government adopted the "freeze" in 2007 prior to the adoption of 2007 tax rates. If the "freeze

could only apply to 2007 taxes, the fiscal impact of this bill would be applicable to FY08-09 rather than FY07-08.

- As an example, if a one-cent increase in the tax rate in every county and municipality were to occur in one year, and each of these localities had enacted an ordinance adopting the tax freeze, there would be a decrease in local government revenues exceeding $1,200,000. According to the same methodology, the decrease in local government revenues is approximated below at differing levels of local government population participation.

Population and Taxing Jurisdiction Participation	Decrease in Local Govt. Revenues per $0.01 Tax Increase
100%	$1,200,000
75%	$ 900,000
50%	$ 600,000
25%	$ 300,000

The figures above are based upon the given percentage of the population and taxing jurisdictions adopting a local tax freeze ordinance and enacting a $0.01 tax increase in the same year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director

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